

planEASe® Market Profiles Retail Tutorial

Tutorial Notes

This tutorial shows you how you would enter the described retail property into planEASe. At the end of page 8 you will have recreated the tutorial_retail_with_profiles sample that you can open by selecting File/Open Assumptions. In addition to this tutorial, try the sample index on the planEASe CD for more samples on retail, including a walk through movie.

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This is one of the many reports that you will be able to view at the end of the tutorial.

| planEASe Lease Analysis | | | | |
|-------------------------|-----------|----------------------|-----------|----------|
| Tenant A | | | | |
| Measure | | Rent | | Rentable |
| Report Date | 28 Apr 04 | Total Effective | 1,496,224 | 149.62 |
| Suite | 101 | Avg Annual Effective | 149,622 | 14.96 |
| Rentable SF | 10,000 | PV @ 12% | 863,234 | 86.32 |
| Usable SF | | Annual PV @ 12% | 86,323 | 8.63 |

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------------------|---------|----------|---------|---------|---------|---------|
| Base Rent | 120,000 | 0 | 0 | 0 | 0 | 0 |
| To Market | 0 | 133,900 | 127,308 | 131,127 | 135,061 | 139,113 |
| Market TT's | 0 | (51,500) | 0 | 0 | 0 | 0 |
| Market Commissions | 0 | (19,686) | 0 | 0 | 0 | 0 |
| Reimb Maintenance & Repair | 5,700 | 5,871 | 6,047 | 6,229 | 6,415 | 6,608 |
| Reimb Utilities | 2,300 | 2,415 | 2,536 | 2,663 | 2,796 | 2,935 |
| Reimb Property Taxes | 8,333 | 8,500 | 8,670 | 8,843 | 9,020 | 9,201 |
| Reimb Security | 5,000 | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 |
| Reimb Insurance | 1,700 | 1,751 | 1,804 | 1,858 | 1,913 | 1,971 |
| Total \$ | 143,033 | 86,401 | 151,669 | 156,183 | 160,833 | 165,624 |
| Total PV | 135,154 | 72,894 | 114,249 | 105,044 | 96,582 | 88,802 |
| \$/RSF | 14.30 | 8.64 | 15.17 | 15.62 | 16.08 | 16.56 |
| PV/RSF | 13.52 | 7.29 | 11.42 | 10.50 | 9.66 | 8.88 |

| | 2011 | 2012 | 2013 | 2014 | Total |
|----------------------------|----------|---------|---------|---------|-----------|
| Base Rent | 0 | 0 | 0 | 0 | 120,000 |
| To Market | 144,927 | 147,585 | 152,012 | 156,573 | 1,267,606 |
| Market TT's | (59,703) | 0 | 0 | 0 | (111,203) |
| Market Commissions | (22,822) | 0 | 0 | 0 | (42,508) |
| Reimb Maintenance & Repair | 6,806 | 7,010 | 7,221 | 7,437 | 65,344 |
| Reimb Utilities | 3,082 | 3,236 | 3,398 | 3,568 | 28,929 |
| Reimb Property Taxes | 9,385 | 9,572 | 9,764 | 9,959 | 91,248 |
| Reimb Security | 5,970 | 6,149 | 6,334 | 6,524 | 57,319 |
| Reimb Insurance | 2,030 | 2,091 | 2,154 | 2,218 | 19,489 |
| Total \$ | 89,676 | 175,644 | 180,882 | 186,279 | 1,496,224 |
| Total PV | 42,930 | 75,075 | 69,031 | 63,474 | 863,234 |
| \$/RSF | 8.97 | 17.56 | 18.09 | 18.63 | 149.62 |
| PV/RSF | 4.29 | 7.51 | 6.90 | 6.35 | 86.32 |

Introduction

This sample retail analysis is assumed to be from a potential buyer's perspective.

- Expenses - the detailed list of expenses is on page 3
- Building occupies 70% of the property
- Depreciable life of 39 years
- 20 year loan to value ratio of 75% is available
- 8% Annual Interest & 1 point, amortized over the loan life
- Inflation Rate assumed 3%
- Holding Period 10 years

The leases used in this tutorial are designed to maximize the learning potential.

What you will Learn Here

- How to Start a New Analysis
- How to input Revenues, Expenses, Loans, Depreciation
- How to use and get to THE HUB screen
- How to Add Pages -- *Revenue, Expense, Loan, Depreciation*
- How to use the *Calculator*
- How to get to any *Assumption Page* using the *Assumption Page List*
- How to use the *Audit Window*
- How to get planEASe to calculate your Analysis
- How to view your Analysis Results
- How to use *Sensitivity Analysis*
- How to view/print *Reports*

Typographic Conventions used in our Tutorials

Labels

Italics designate labels you see on the screen, like *Gen Investment*. In addition, the four areas of the *Assumption Edit Screen* (*Assumption Page*, etc) are also shown in italics.

Keyboard Entries

Quotes designate items you should type into planEASe, like "1550000" for the \$1,550,000 *Price of Property*.

Keyboard Keys

are shown like **(Enter→)** and **(Esc)**

Actions

you should take are shown in **bold** like this.

Results

of your actions, observations, and discussions of the results of your actions are shown like this.

Starting Point – Entering General Information

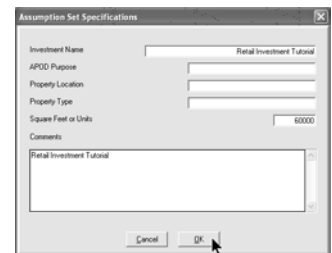
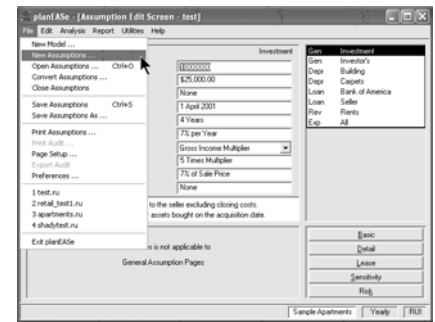
- 1 Click on *File/New Assumptions* on menu bar.

The *Assumption Set Specification* Dialog Box will appear. You always start a NEW Property Analysis in planEASe this way. You will enter a small retail building for this tutorial.

- 2 Type in the specifications below, pressing **(Enter)** after each completed entry, and click **OK**.

Investment Name "Retail Investment Tutorial"
Square Feet or Units "60000"
Comments "Retail Investment Tutorial"

The Investment Name "Retail Investment Tutorial" will appear in all your reports. The information in the Comments box is saved with the Assumption Set. The other entries will appear later in your APOD Report if you have purchased the *Reporting Extension*. You are now at the *Assumption Edit Screen* with the *Investment Assumption Page* showing top left. We call this screen THE HUB. You are now ready to begin entering the numbers for your property into planEASe. You can also move forward between fields by pressing the tab key **(Tab)** (**Shift** - **(Tab)** moves backwards).



Entering the Investment Page

- 1 Type in the specifications below, pressing **(Enter)** after each completed entry.

Price of Property "5000000"
Closing Costs "1" (1% of Property Price)
Date of Acquisition "1.05" (1 January 2005)
Holding Period "10"
Inflation Rate "3"
Sale Price Method Select *Capitalize Last Year's NOI* from the list
Sale Price Parameter "9"
Selling Costs "6"

As you make these entries they are converted to understandable English. All new entries on this *Assumption Page*, or any *Assumption Page*, will convert to understandable English after you press **(Enter)** or move to another entry by clicking **(Up)** and **(Down)**. As you move up and down between the entry fields, note that the white two line help message at the bottom of the *Assumption Page* and above the *Audit Window* changes to match the particular assumption you are entering --- the first example of *context sensitive* help in planEASe. The specifications you have entered were derived from your research and your client's information. Your first wild guess for the value of this property is \$5,000,000. You've decided to begin the analysis with this value -- you will see how to adjust it later in the analysis.



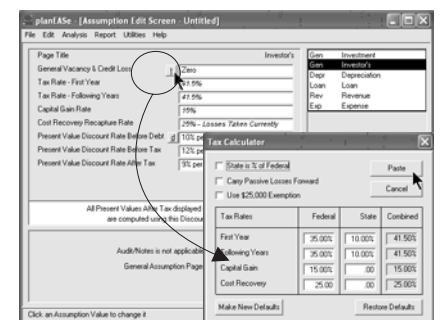
Entering the Investor's Page

- 1 Click on *Gen Investor's* in *Assumption Page List* to top right. Type in the specifications below, pressing **(Enter)** after each completed entry.

General Vacancy & Credit Loss "0"
Present Value Discount Rate Before Debt "10"
Present Value Discount Rate Before Tax "12"
Present Value Discount Rate After Tax "9"

Click on the **(T)** button next to *General Vacancy & Credit Loss*, type the following information, and click *Paste* to paste the Tax Rates.

Tax Rate First Year Federal "35" State "10"
Tax Rate Following Years Federal "35" State "10"
Capital Gain Rate Federal "15" State "0"
Cost Recovery Recapture Rate Federal "25" State "0"



The Investor's *Assumption Page* will appear to the top left. The Investor's *Assumption Page* has default values entered. Naturally, all these values can be changed when you are doing your own analyses, if need be, to adjust the tax rates for an investor. You can think of the *Assumption Page List* as a list of the names of pages in a 3-ring notebook. You can move between the pages by clicking on their names in the List. You may also use the **(PgDn)** and **(PgUp)** keys to move to the next or previous pages in the *Assumption Page List*.

Adding Depreciation

1 Click on **Depr Depreciation** in the **Assumption Page List** at the top right.

A **Depreciation Assumption Page** will appear to the top left.

2 Type in the specifications below, pressing **(Enter)** after each completed entry.

Page Title "Building"
Depreciable Amount "70" (70% of Price of Property)
Depreciable Life "39"
 Leave all the other default values as is.

This completes your **Depreciation Assumption Page** for the building. As you enter a specification, a message appears at the bottom of the page explaining the entry. Click on **Depreciable Amount** and you will see what entering 70 means. Similarly, click on **Depreciable Life** and you will see why you entered 39. planEASe permits you to enter any life or method so you can depreciate any type of item. If a property you are analyzing has more depreciable items than this tutorial, you can click on **Edit/Add Depreciation Page** on the menu bar and repeat this process until all depreciable items are entered. Check the **Audit Window** at the bottom left of the screen to view the cash flows you have just entered. It should look as shown here. The smaller value in the first (and last) year is due to application of the IRS's "half-month" rule.



Adding Loans

1 Click on **Loan Loan** in the **Assumption Page List** to top right.

A **Loan Assumption Page** will appear to the top left.

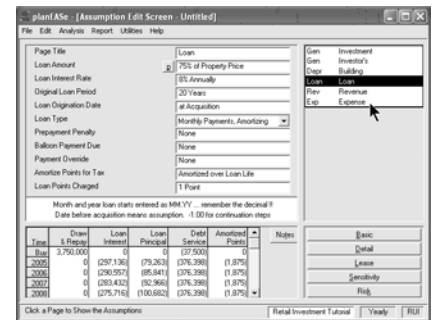
2 Type in the specifications below, pressing **(Enter)** after each completed entry.

Loan Amount "75" – **Loan Interest Rate** "8"
Original Loan Period "20" – **Loan Points Charged** "1"
 Leave all the other default values as is.

Your loan is now entered into your planEASe analysis. The Loan Amount can be entered in three different ways;

- as a dollar amount (any amount over 100)
- as a percentage of the price/loan to value (any number between 3 and 100) as done with "75" here
- as a debt coverage ratio (any number less than 3 will be a DCR based on the NOI the year the loan starts)

Additional loans can be entered the same way when needed in an analysis. Check the **Audit Window** at the bottom left of the screen to view the loan you have just entered. It should look as shown here. Of course, the number of loans for a property is unlimited.



Adding Expenses

1 Click on **Exp Expense** in the **Assumption Page List** to the top right.

An **Expense Assumption Page** will appear to the top left.

2 Type in the specifications below, pressing **(Enter)** after each completed entry.

Page Title "Maintenance & Repair" (over default **Expense** title)
Expense Growth Method Choose **Annual (@ %> Inflation)** from the list
 Click on the **(C)** button next to **Annual Expense**, type the following information, and click **Paste** to paste the calculation into **Annual Expense**.

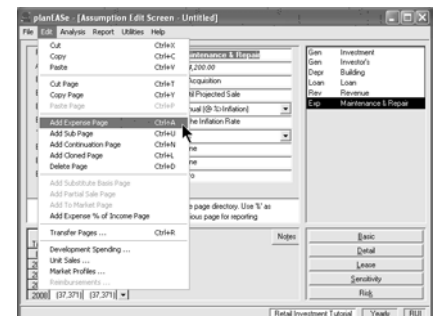
Rentable SF "60000"
\$/RSF/Yr "0.57"

It should look as shown here. Look to the top right **Assumption Page List** and you will see **Exp Maintenance & Repair** is now on the list. You may add as many expenses as needed. In this tutorial only six expenses are added for brevity.



3 Click on **Edit/Add Expense Page** on menu bar.

A new **Exp Expense** page will appear in the top right **Assumption Page List**. For each additional expense that you want to enter, you will need to add an **Exp Expense Page**.



4 Type in specifications below.

Page Title


Expense Growth Method

Expense Growth Rate

"Utilities" (over default *Expense* title)

Choose Annual (@ %> Inflation) from the list

"2" (2% over the inflation rate)

Click on the  button next to **Annual Expense**, type the following information, and click **Paste** to paste the calculation into **Annual Expense**.

Rentable SF

"60000"

\$/RSF/Yr

"0.23"

The Utilities Expense is projected to increase 2% faster than the inflation rate. By selecting Annual (@ %> Inflation) (3%) and entering 2% in the Expense Growth Rate the Utilities will grow at 5%. You can find further explanations of the Growth Method possibilities in planEAsE by clicking on Help. Also, if you click on the Growth Method and then doubleclick in the white 2 line help message below the Assumption Page area, you will get full help about the Growth Methods available.

5 Click on **Edit/Add Expense Page** on menu bar, then type in specifications below.

Page Title

Annual Expense

Expense Growth Method

Expense Growth Rate

"Property Taxes" (over default *Expense* title)

"1" (1% of Property Price)

Choose Annual (@ at Growth Rate) from the list

"2" (2% annually)

This completes the Property Tax Expense Assumption Page. Taxes are growing at 2% - selecting Annual (@ Growth Rate) for the Expense Growth Method and entering 2% for the Expense Growth Rate will increase the expense every April by 2%. Check the Audit Window at the bottom left of the screen to view the cash flows you have just entered. It should look as shown here. Look to the top right Assumption Page List and you will see Exp Property Taxes is now on the list.

6 Click on **Edit/Add Expense Page** on menu bar, then type in specifications below.

Page Title


Expense Growth Method

Expense Growth Rate

"Security" (over default *Expense* title)

Choose Annual (@ %> Inflation) from the list

"0" (at the inflation rate)

Click on the  button next to **Annual Expense**, type the following information, and click **Paste** to paste the calculation into **Annual Expense**.

Rentable SF

"60000"

\$/RSF/Yr

"0.5"

7 Click on **Edit/Add Expense Page** on menu bar, then type in specifications below.

Page Title


Expense Growth Method

Expense Growth Rate

"Insurance" (over default *Expense* title)

Choose Annual (@ %> Inflation) from the list

"0" (at the inflation rate)

Click on the  button next to **Annual Expense**, type the following information, and click **Paste** to paste the calculation into **Annual Expense**:

Rentable SF

"60000"

\$/RSF/Yr

"0.17"

8 Click on **Edit/Add Expense % of Income Page** on menu bar, then type in specifications below.

Page Title

Expense Percentage

"Management Fee" (over default *Expense* title)

"5" (5% of the Effective Income)

An *Expense as Percentage of Effective Income (Exp-%ei)* page is an Expense Page SubType which allows you to specify a expense that varies with Effective Income. You may have as many (*Exp-%ei*) pages in your Assumption Set as you require. *Exp-%ei* pages are not reimbursable and will not show in the *Reimbursements* dialog box.

Exp-%ei pages are especially useful with rehab projects and development projects where the expense varies with amount of occupancy. When you are done, the audit will still show 0's because no Effective Income has been entered (that comes next).

Adding Market Profiles (Local)

1 Click on *Edit/Market Profiles...* on menu bar.

Market Profiles are designed to help you with planning what will happen when a lease comes to term. In this tutorial three profiles will be added to show you the capabilities of the tool. You can have as many as you need for your analysis. Press the **(F1)** Key for help with this Market Profiles Dialog that allows you to enter and maintain your Profiles.

2 Change the name “Main” to “Renew-100%”. Then enter the following:

| General | | Renew | |
|---------------------|-----------------------|--|------------------|
| Renewal Probability | 100% | Market Rent | \$12.00 \$/sf/yr |
| Grow Rent | Yes | TI's | \$5.00 \$/sf |
| Growth Method | %>Inflation | Commissions | 3.00 % of Rent |
| Growth Rate | at the Inflation Rate | Abatements | 0 |
| Lease Duration | 5.00 Years | End Charges | (\$1.00) \$/sf |
| Life - TI's | 39.00 Years | Start Charges | \$1.00 \$/sf |
| Life - Commissions | 5.00 Years | When a lease goes “To Market” with this profile, it will renew, with no chance of the tenant leaving. This is accomplished by choosing 100% as the <i>Renewal Probability</i> . The <i>Market Rent</i> (\$12.00 \$/sf/yr) and <i>TI's</i> will grow at the <i>Inflation Rate</i> (3%) from the beginning of the investment (1 January 2005) Annually. 50% of the <i>TI's</i> will be deducted in the first year and the other half is depreciated over 39 years. This <i>Lease Duration</i> is five years, and will repeat until the end of the Holding Period. The rent will increase during the 5 years by the <i>Inflation Rate</i> because <i>Grow Rent</i> = Yes. | |
| Year 1 TI's | 50% | | |
| Reimbursements | Continue | | |

3 Click *Add Profile* in the middle. Name this *Local Profile* “Renew-0%”, Click OK. Then enter the following:

| General | | New | |
|---------------------|-------------|---------------|------------------|
| Renewal Probability | 0% | Market Rent | \$13.00 \$/sf/yr |
| Grow Rent | Yes | TI's | \$20.00 \$/sf |
| Growth Method | % /Year | Commissions | 6.00 % of Rent |
| Growth Rate | 4% /Year | Abatements | 0 |
| Lease Duration | 5.00 Years | End Charges | (\$2.00) \$/sf |
| Life - TI's | 39.00 Years | Start Charges | \$2.00 \$/sf |
| Life - Commissions | 5.00 Years | Months Vacant | 3 Months |
| Year 1 TI's | 50% | | |
| Reimbursements | Continue | | |

When a lease goes “To Market” with this profile, it will **NOT** renew. This is accomplished by choosing 0% as the *Renewal Probability*. The new tenant's *Market Rent* (\$13.00 \$/sf/yr) and *TI's* will grow at 4% per year from the beginning of the investment (1 January 2005). The 3 *Months Vacant* not only eliminates the base rent, but also eliminates CAM Reimbursement for this tenant during the vacancy.

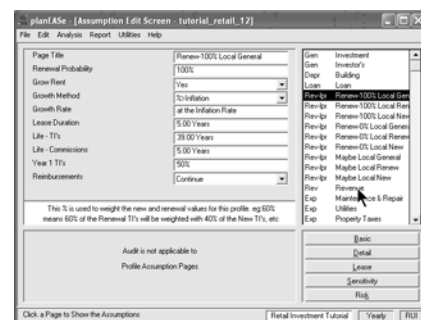
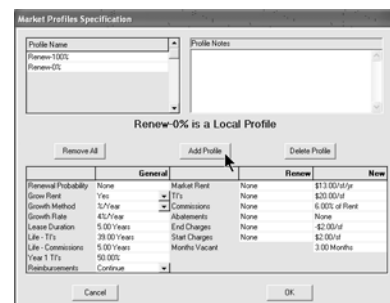
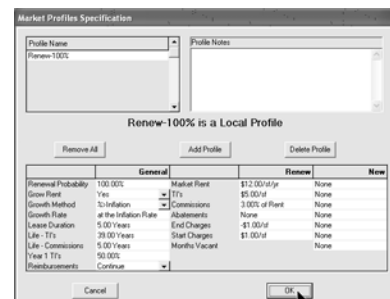
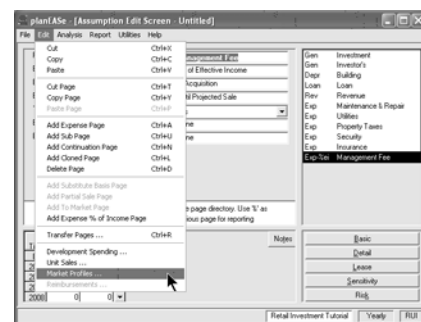
4 Click *Add Profile* in the middle. Name this *Local Profile* “Maybe”, Click OK. Then enter the following:

| General | | Renew | | New | |
|---------------------|----------------|---------------|---------------------|-----|---------------------|
| Renewal Probability | 40% | Market Rent | \$12.00 \$/sf/yr | | \$13.00 \$/sf/yr |
| Grow Rent | Yes | TI's | \$5.00 \$/sf | | \$20.00 \$/sf |
| Growth Method | \$/SF/Year | Commissions | 3.00 % of Base Rent | | 6.00 % of Base Rent |
| Growth Rate | 0.5 \$/SF/Year | Abatements | 0 | | 0 |
| Lease Duration | 5.00 Years | End Charges | (\$1.00) \$/sf | | (\$2.00) \$/sf |
| Life - TI's | 39.00 Years | Start Charges | \$1.00 \$/sf | | \$2.00 \$/sf |
| Life - Commissions | 5.00 Years | Months Vacant | | | 3 Months |
| Year 1 TI's | 50% | | | | |
| Reimbursements | Continue | | | | |

When a lease goes “To Market” with this profile, it will **WEIGH** Renewal assumptions with New Tenant Assumptions. eg: a *Renewal Probability* of 40% means 40% of the *Renew TI's* value will be weighted with 60% of the *New TI's* value. *Renewal Probability* is used to compute weighted values for *Market Rent*, *TI's*, *Commissions*, *Abatements*, *End and Start Charges*, as well as *Months Vacant*. In the case of *Months Vacant*, the *Renew* value is assumed to be zero.

5 Click on OK to return to the assumption edit screen.

Notice that when you return to the *Assumption Edit Screen*, the *Market Profiles* you have entered are added to the *Assumption Page List* with three pages for each Profile (one for each column of values in the Profile). The values may be edited either here or as you did in the *Market Profiles Dialog*.



Adding Revenues - First Lease in Detail

1 Click on **Rev Revenue** in the **Assumption Page List** to the top right.

Page Title "101 Tenant A" (over default *Revenue* title)

Revenue Period "-1.06" (Until 1 January 2006)

Click on the **C** button next to **Annual Revenue**, type the following information, and click **Paste** to paste the calculation into **Annual Revenue**:

Rentable SF "10000" **\$/RSF/Yr** "12.00"

This is just a simple flat *No Growth Projected* lease with a contract that ends on Dec. 31st 2005. By entering an until date rather than one year into the *Revenue Period* the ending the revenue does not move with the *Date of Acquisition* on the *Investment Page*. If you change the *Date of Acquisition* on the *Investment Page* from January 1, 2005 to March 1, 2005 this lease will still end on January 1, 2006 when the lease contract ends. Now that the lease ends, we need to continue the space planning.

2 Click on **Edit/Add To Market Page** on menu bar, then select "Renew-100% Local" from the **Market Profile** list.

By choosing "Renew-100% Local", this lease will continue using the assumptions entered into the "Renew-100% Local" **Market Profile**. "Renew-100% Local" assumes a 100% *Renewal Probability* with *TI's*, *Commissions*, and *Start-End Charges*. The **Audit Window** to the bottom left will show the *Base Rent*, *Abatements*, and the *Start-End Charges*. The 2006 number is reflective of the increased *Market Rent*, 2 months of *Abatements*, and \$1.00 *\$/sf* of *Start Charges* in the first month.

3 Click **Lease** to the bottom right.

The *Market Commissions* and *Market TI's* are shown as part of the *Lease Analysis*, shown before tax (they are handled after tax in all the after tax analysis/reports). Notice that the *Market Commissions* and *Market TI's* reoccur in 2011. This is because the "Renew-100% Local" **Market Profile** has a five year lease duration, and planEASe repeats "Renew-100% Local" leasing assumptions. \$1.00 *\$/sf* of *Start Charges*, and -\$1.00 *\$/sf* of *End Charges* re-occur as well.

Putting the 101 Suite Number before the name of the space (Tenant A) tells planEASe that it is a Suite Number. Notice that it takes the 101 out of the Title in the *Lease Analysis*. However, if you switch to *Summary* mode the Suite Number is identified in the Suite column.

Note the *Use Vacancy Factor* check box below the **Exit** button in the *Lease Analysis*. This will allow you to show the numbers with or without vacancy. The *Show Detail* as options (in the middle of the screen) give you more control over how the lease numbers are shown.

If you don't like the term "Base Rent", select **Print/Preferences** to choose your own term. Your new term will print in the reports.

4 Click **Exit** to the top right, Click **Edit/Reimbursements...** on menu bar.

5 Select "Net" from the method list next to "Maintenance & Repair". Click the **Reset Tenant Button**. Click **Lease Audit** at the bottom right to see the results. Click **OK** to return to the **Assumption Edit Screen**.

Right now this lease is the only lease entered, so Tenant A is responsible for all the reimbursements. After we enter the other five leases, you will see this tenant's reimbursements decrease.

Each expense for each lease can be specified to reimburse a different way. Press the **(F1)** Key to read about all the methods.

Reimbursement Specification

| Suite | Tenant Name | Sgt | Expense | Method | Amount | Percent | Min | Max | GLT |
|-------|-------------|--------|----------------------|--------|--------|---------|-----|-----|-----|
| 101 | Tenant A | 101000 | Maintenance & Repair | Net | | | | | |
| | | | Utilities | Net | | | | | |
| | | | Property Taxes | Net | | | | | |
| | | | Security | Net | | | | | |
| | | | Insurance | Net | | | | | |

Reset Tenant Reset Expense Reset All

Cancel Expenses Percentage Rent Lease Audit OK

Reimbursement Specification

| Suite | Tenant Name | Sgt | Expense | Method | Amount | Percent | Min | Max | GLT |
|-------|-------------|--------|----------------------|--------|--------|---------|-----|-----|-----|
| 101 | Tenant A | 101000 | Maintenance & Repair | Net | | | | | |
| | | | Utilities | Net | | | | | |
| | | | Property Taxes | Net | | | | | |
| | | | Security | Net | | | | | |
| | | | Insurance | Net | | | | | |

Reset Tenant Reset Expense Reset All

Cancel Expenses Percentage Rent Lease Audit OK

Reimbursement Specification

| Suite | Tenant Name | Sgt | Expense | Method | Amount | Percent | Min | Max | GLT |
|-------|-------------|--------|----------------------|--------|--------|---------|-----|-----|-----|
| 101 | Tenant A | 101000 | Maintenance & Repair | Net | | | | | |
| | | | Utilities | Net | | | | | |
| | | | Property Taxes | Net | | | | | |
| | | | Security | Net | | | | | |
| | | | Insurance | Net | | | | | |

Reset Tenant Reset Expense Reset All

Cancel Expenses Percentage Rent Lease Audit OK

planEASe - Assumption Edit Screen - tutorial_retail_12

Page Title: 101 Tenant A

Revenue Start Date: 1/1/2006

Revenue Period: -1.06

Revenue Growth Method: No Growth projected

Revenue Growth Rate: 0%

Management Fee: 0%

Vacancy Factor: 0%

Revenue Max: None

Revenue Min: None

Revenue Amount Calculator: Rentable SF: 10,000 \$ / RSF / Yr: \$12.00 Annual \$: \$120,000

planEASe - Assumption Edit Screen - tutorial_retail_12

Page Title: 101 Tenant A

Revenue Start Date: 1/1/2006

Revenue Period: -1.06

Revenue Growth Method: No Growth projected

Revenue Growth Rate: 0%

Management Fee: 0%

Vacancy Factor: 0%

Revenue Max: None

Revenue Min: None

Revenue Amount Calculator: Rentable SF: 10,000 \$ / RSF / Yr: \$12.00 Annual \$: \$120,000

planEASe - Assumption Edit Screen - tutorial_retail_12

Page Title: 101 Tenant A

Revenue Start Date: 1/1/2006

Revenue Period: -1.06

Revenue Growth Method: No Growth projected

Revenue Growth Rate: 0%

Management Fee: 0%

Vacancy Factor: 0%

Revenue Max: None

Revenue Min: None

Revenue Amount Calculator: Rentable SF: 10,000 \$ / RSF / Yr: \$12.00 Annual \$: \$120,000

planEASe - Lease Analysis

Title: 101 Tenant A

Description: This is one area to enter notes about the tenant

Report Date: 26 Apr 06

Measure: Total Effective: 1,233,095

Report Date: 26 Apr 06

Measure: Total Effective: 1,233,095

planEASe - Assumption Edit Screen - tutorial_retail_12

Page Title: 101 Tenant A

Revenue Start Date: 1/1/2006

Revenue Period: -1.06

Revenue Growth Method: No Growth projected

Revenue Growth Rate: 0%

Management Fee: 0%

Vacancy Factor: 0%

Revenue Max: None

Revenue Min: None

Revenue Amount Calculator: Rentable SF: 10,000 \$ / RSF / Yr: \$12.00 Annual \$: \$120,000


Adding Revenues - Multiple Leases

1 Click on “Rev & To Market” Page, click on *Edit/Add Revenue Page* on menu bar, then type in specifications below.

Page Title “102 Tenant B” (over default *Revenue* title)

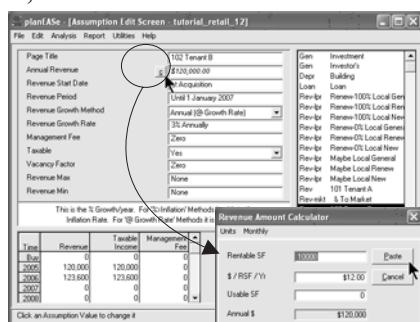
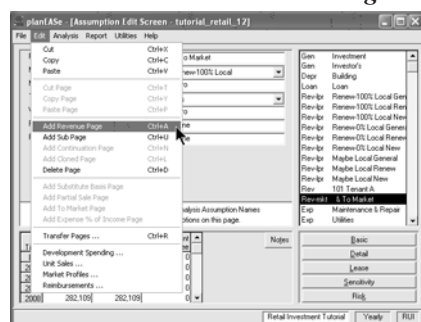
Revenue Period “-1.07” (the “-” indicates until date)

Revenue Growth Rate “3” (Annual at 3% Annually)

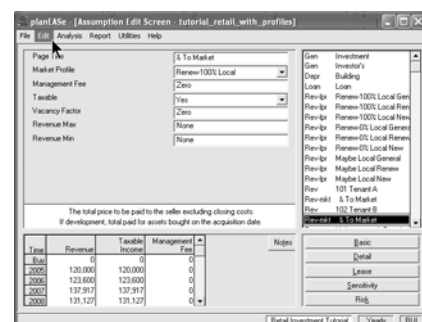
Click on the  button next to *Annual Revenue*, type the following information and click *Paste* to paste the calculation into *Annual Revenue*.

Rentable SF “10000” **\$/RSF/Yr** “12.00”

Click on *Edit/Add To Market Page* on menu bar, Select “Renew-100% Local”



Here there is a 3% increase after one year in the existing lease contract before. This is another lease that is sure to renew. Using the same profile for both leases increases the 'what if' capabilities later on.



2 Click on *Edit/Add Revenue Page* on menu bar, then type in specifications below.

Page Title “103 Tenant C” (over default *Revenue* title)

Revenue Period “-1.07” (the “-” indicates until date)

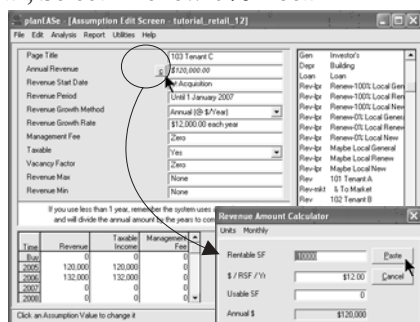
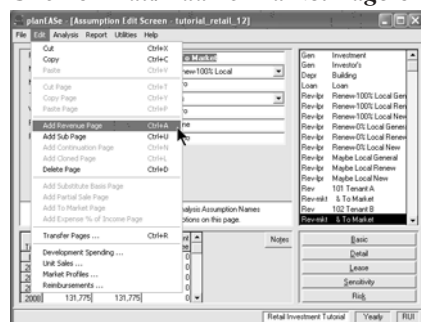
Revenue Growth Method *Select Annual (@ \$/Year)*

Revenue Growth Rate “12000” (\$1.20 per square foot)

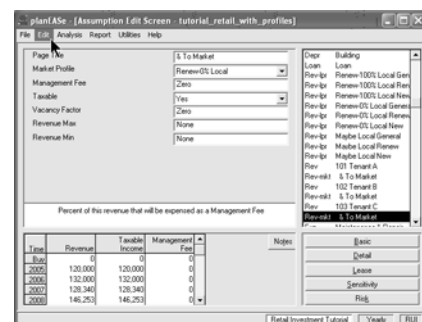
Click on the  button next to *Annual Revenue*, type the following information, and click *Paste* to paste the calculation into *Annual Revenue*.

Rentable SF “10000” **\$/RSF/Yr** “12.00”

Click on *Edit/Add To Market Page* on menu bar, Select “Renew-0% Local”




Here there is a \$1.20/SqFt increase after one year in the existing lease contract. When this lease ends we are sure that they will **NOT** renew. Selecting the Renew-0% profile will assume 3 Months Vacant (no reimbursements), \$20/sf TI's, and the other new tenant assumptions we entered.



3 Click on *Edit/Add Revenue Page* on menu bar, then type in specifications below.

Page Title “104 Tenant D” (over default *Revenue* title)

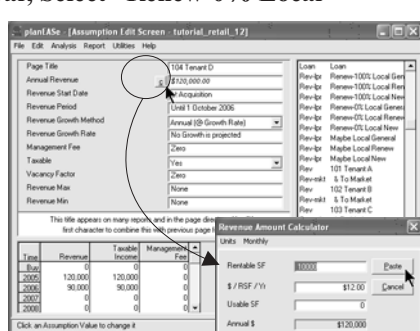
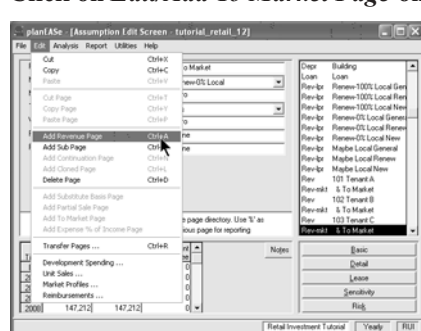
Revenue Period “-10.06” (the “-” indicates until date)

Click on the  button next to *Annual Revenue*, type the following information, and click *Paste* to paste the calculation into *Annual Revenue*.

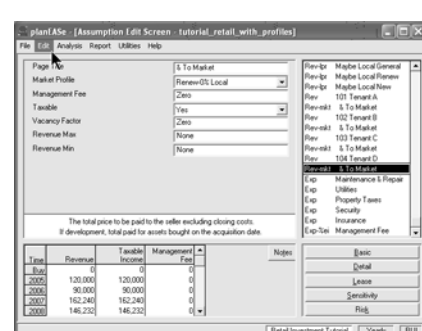
Rentable SF “10000”

\$/RSF/Yr “12.00”

Click on *Edit/Add To Market Page* on menu bar, Select “Renew-0% Local”



Notice that this lease contract ends 3 months before the end of the year. Since the Renew-0% Local Market Profile assumes 3 months worth of vacancy before the next lease begins, the revenue for 2006 should be \$30,000 less than 2005. The *Audit Window* at the bottom left shows this to be true. When the new lease begins the Profile's *Abatements*, *Start-End Charges*, *TI's*, *Commissions*, and *Market Rent* rates apply.



4

Revenue Period “-10.06” (the “-” indicates until date)

Rentable SF "10000"

\$/RSF/Yr **“12.00”**

[illegible]

Page Title "106 Tenant F"

Revenue Period “-1.06”

Rentable SF "10000"

\$ /RSF/Yr "12.00

Adding Expense Reimbursements (CAM Charges)

1 Click *Edit/Reimbursements...* on menu bar.


Each expense for each lease can be specified to reimburse a different way. Press the **F1** Key to read about all the methods.

planEASe Market Profiles Retail Tutorial

Notice that this lease contract ends 3 months before the end of the year. Since the “Maybe Local” *Market Profile* blends the New Tenant assumptions with the Renew assumptions, 3 months worth of vacancy is not fully taken. The 40% *Renewal Probability* blends the two set of assumptions like *Abatements*, *Start-End Charges*, *TI's*, *Commissions*, *Months Vacant*, and the *Market Rent* on a 40/60 basis in this case. For *Months Vacant* and *Abatements*, the blended months are rounded to the nearest month.

6 Click on *Edit/Add Continuation Page* on menu bar, then type in specifications below.

Revenue Period “-1.07”

Click on the  button next to *Annual Revenue*, type the following information, and click *Paste* to paste the calculation into *Annual Revenue*.

Rentable SF "10000"

| | |
|-------------|--------|
| $\$/RSF/Yr$ | "13.00 |
|-------------|--------|

Click on *Edit/Add To Market Page* on menu bar, Select
“Maybe Local”

[illegible][illegible]

The *Continuation Page* will start when the page before it ends, and will receive the ending *Annual Revenue* amount from the previous page. Notice that the "& Continued" title is indented in the *Assumption Page List* to the top right. This indicates it is part of the "106 Tenant F" lease. If desired (by clicking the ☒ button and entering a new amount), the ending *Annual Revenue* amount from the previous page can be replaced (by \$13/sf here).

2 Select “Net” from the list next to “Maintenance & Repair”. Click the *Reset All* Button. Click *Lease Audit* at the bottom right and select another lease to see the results. Click *OK* to return to the *Assumption Edit Screen*.

Reimbursement Specification

| Suite | Tenant Name | Sqft |
|-------|-------------|--------|
| 101 | Tenant A | 10,000 |
| 102 | Tenant B | 10,000 |
| 103 | Tenant C | 10,000 |
| 104 | Tenant D | 10,000 |
| 105 | Tenant E | 10,000 |
| 106 | Tenant F | 10,000 |

Tenant Notes
This is one area to enter notes about the tenant

| Expense | Method | Amount | Min | Max | G/L?? |
|----------------------|--------|--------|------|------|-------|
| Maintenance & Repair | All | None | None | None | None |
| Utilities | Net | None | None | None | None |
| Property Taxes | Net | None | None | None | None |
| Security | Net | None | None | None | None |
| Insurance | Net | None | None | None | None |

Reset Tenant Reset Expense **Reset All**

Cancel Expenses Percentage Rent Lease Audit OK

| Reimbursement Specification | | | |
|-----------------------------|-------------|--------|--------------|
| Sub | Tenant Name | Split | Tenant Notes |
| 101 | Tenant A | 10.00% | |
| 102 | Tenant B | 10.00% | |
| 103 | Tenant C | 10.00% | |
| 104 | Tenant D | 10.00% | |
| 105 | Tenant E | 10.00% | |
| 106 | Tenant F | 10.00% | |

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------------|---------|-----------|----------|---------|---------|---------|
| Base Rent | 120,000 | 90,000 | 0 | 0 | 0 | 0 |
| To Market | 0 | 162,240 | 146,232 | 152,002 | 156,195 | 164,499 |
| Market Credits | 0 | (276,320) | 0 | 0 | 0 | 0 |
| Market Commissions | 0 | 6,047 | 0 | 0 | 0 | 0 |
| Rent's Maintenance & Repare | 5,700 | 4,403 | 6,047 | 6,229 | 6,415 | 6,509 |
| Rent's Utilities | 2,300 | 1,811 | 2,536 | 2,662 | 2,796 | 2,935 |
| Rent's Property Taxes | 8,333 | 6,737 | 8,670 | 8,843 | 9,203 | 9,389 |
| Rent's Security | 5,000 | 3,863 | 5,309 | 5,464 | 5,620 | 5,786 |
| Rent's Insurance | 1,700 | 1,313 | 1,864 | 1,898 | 1,913 | 1,971 |
| Total | 143,033 | 107,755 | (95,414) | 173,288 | 177,854 | 184,676 |
| 4.0% F | 14,303 | 10,775 | -7,541 | 17,329 | 17,785 | 18,468 |

☒ Use Vacancy
 ☒ Combine Reimbursements
 Monthly
 \$ \$/SF

Checking Results - Verifying Your Entries

1 Click on **Basic** button to bottom right, and wait a second. When the **Basic Analysis** screen appears, choose the **Horizontal** view (at the bottom right of the screen).

planEASE will now calculate and display the preliminary analysis from the values you entered. All the projections, both before and after tax, now appear with the years running horizontally across the top of the screen. This, incidentally, is the definition of the **Horizontal View** in planEASE --- years run horizontally across the top of the projection grid. As you might expect, the **Vertical View** shows the projections with the years running vertically down the left side of the projection grid. Now would be a good time to click on the **Vertical View** and compare it with the **Horizontal View**.

2 Compare the results in the box at the bottom center of your screen with this table.

Hopefully your screen matches this table exactly. If not, you have three choices for proceeding:

- Start all over again (not recommended!!)
- Review and correct your entries, and then select the **Basic** analysis button and choose the **Horizontal** view again to see if you've corrected the problem.
- Choose **File/Open Assumptions** and choose the "tutorial_retail_with_profiles" file to load the Assumptions as we have entered them. (recommended).

The **(783,607)** number in the **Investment and Sale** row during **2007** is partly caused by the **TI's** in the **Renew-0% Profile**. The **(445,682)** number in the **Depreciation** row during the same year is noticeably higher than the previous and following years. This is caused by 50% of the **TI's** being depreciated in the first year.

3 Click **Exit** to the bottom right. Click the **Rev-lpr Renew-0% Local New** in the **Assumption Page List**. Change the **TI's** from **\$20 \$/sf** to **\$10 \$/sf**. Click on **Basic** button to bottom right.

Market Profiles can only be created and deleted in the **Market Profile Dialog Box**. However, once created, the assumptions reside in the planEASE **Assumption Page List** and you can modify the numbers either in the **Market Profile Dialog Box** (**Edit/Market Profiles...**) or by selecting the appropriate **Assumption Page** in the **Assumption Page List**.

The **(566,221)** number in the **Investment and Sale** row during **2007** has decreased greatly by changing the **TI's** in the **Renew-0% Profile** from **\$20 \$/sf** to **\$10 \$/sf**. The **(334,668)** number in the **Depreciation** row during the same year is noticeably lower than before. This is caused by 50% of the **TI's** being depreciated in the first year.

4 Click **Exit** to the bottom right. Click the **Rev-lpr Renew-0% Local New** in the **Assumption Page List**. Change the **TI's** from **\$10 \$/sf** to **\$20 \$/sf**.

Back to the original assumptions.

Income Statement

1 Select **Report/Income Statements** form the menu Bar.

The **Income Statement** is the most complete report about your property in planEASE. The controls at the bottom of the screen give you up to 1400 options of how to show this report. Press the **[F1]** Key to see all your options. The **Gross Income** area shows you what the leases would be producing if there were no vacancies. All the **Continuation** and **To Market** pages for a Tenant are combined together into one line item here. The **Gross Income** for a lease in this report will equal the total line in the **Lease Analysis** report for the same lease if the **Use Vacancy Factor** option is left unchecked. The **Effective Income** line is the amount of income expected after the vacancy is subtracted. If you scroll down to the **Sales Proceeds** section, the **Sales Value** line indicates the projected sale price that year based on the **Sales Price Method Capitalization of Last Year's NOI** with a **Sales Price Parameter** of 9%.

The image displays three screenshots of the planEASE software interface. The top screenshot shows the 'Basic Analysis' screen with the 'Horizontal' view selected. The middle screenshot shows the 'Assumption Page List' with the 'Rev-lpr Renew-0% Local New' assumption selected. The bottom screenshot shows the 'Income Statement' report, which is a detailed financial statement showing various income and expense items over time.

2 Click *Graph* to the bottom right.

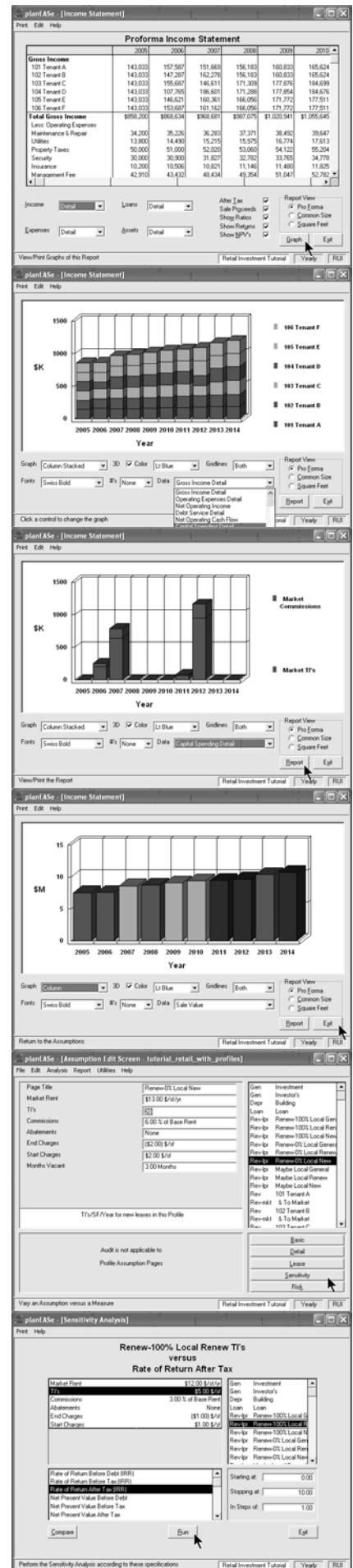
Notice that all the leases start off the same in this tutorial. Then in the following years they are affected by the dates we entered, and which profile they went to market with. The first two renewed. Tenants C & D were assumed to be leaving, with new tenants moving in after 3 Months Vacant. The last two were given a 40% chance of renewal.

Clicking the *graph* button will give you a more visual view of these leases.

3 Choose *Capital Spending Detail* from the drop down list next to *Data*.

4 Click *Report* to the bottom right. Scroll down to *Sale Value*, click the cell containing *Sale Value*. Click *Graph* to the bottom right.

By choosing to have the Sale amount to be linked to NOI, the *Sale Value* (Sale Price) is affected by the vacancy and abatements.



Sensitivity Analysis

Finally, you have some real results to examine. *Sensitivity Analysis* performs powerful “what-if” analysis with the precision of being able to vary one assumption at a time.

1 Click on the *Exit* button to the bottom right.

You are back, as always, at the *Assumption Edit Screen* (THE HUB).

2 Click on *Sensitivity* button to bottom right.

You are now in *Sensitivity Analysis*. You are going to vary assumptions that affect the NOI and see how it affects the *IRR After Tax*.

3 Click on *Renew-100% Local Renew* to the top right, then click on *TI's* to top left, then click on *Rate of Return After Tax (IRR)* to bottom left. Type in the specifications below, and press the *Run* button.

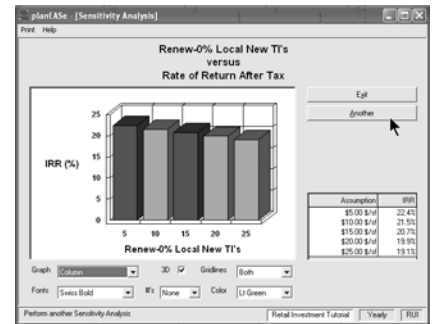
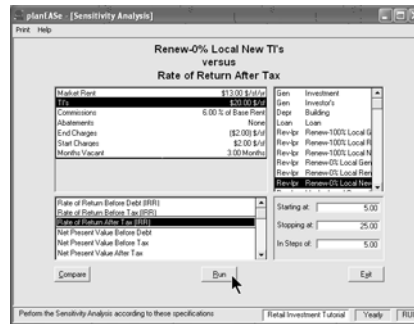
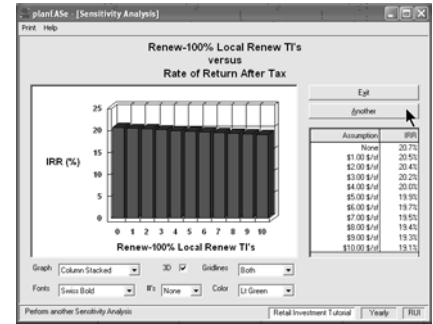
Starting at “0”
Stopping at “10”
In Steps of “1”

When you press Run, *Sensitivity Analysis* computes, and you are presented with the table of after tax IRR's. Since the *TI's* on the Renew-100% Local *Market Profile* is being varied here, a great many calculations are being computed for each After Tax IRR.

4 Click on *Another* to the top right, then click on *Renew-0% Local New* to the top right, then click on *TI's* to top left, then click on *Rate of Return After Tax (IRR)* to bottom left. Type in the specifications below, and press the *Run* button.

Starting at "5"
Stopping at "25"
In Steps of "5"

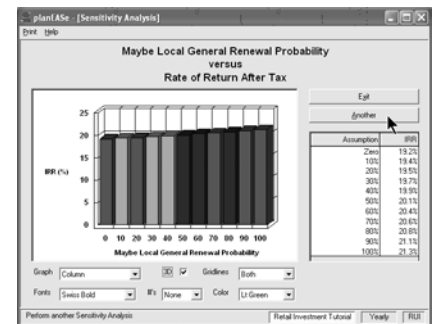
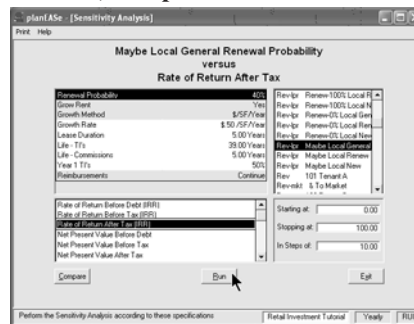
Not only are the *TI's* changing for each of the leases, but this *After Tax IRR* is taking into account all of the depreciation considerations all the way through to the cost recovery calculations in the *After Tax Sale Proceeds*.



5 Click on *Another* to the top right, then click on *Maybe Local General* to the top right, then click on *Renewal Probability* to top left, then click on *Rate of Return After Tax (IRR)* to bottom left. Type in the specifications below, and press the *Run* button.

Starting at "0"
Stopping at "100"
In Steps of "10"

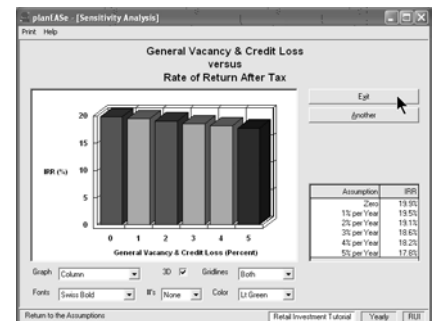
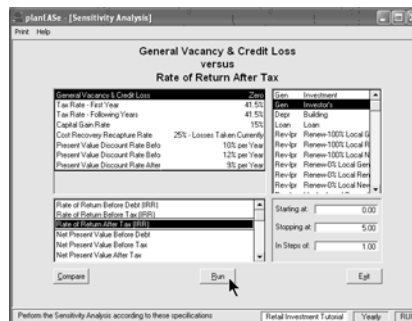
Are they staying or leaving? This 'What-if' analysis tells us how sensitive the return is, as long as the new and renew assumptions are correct.



6 Click on *Another* to the top right, then click on *Gen Investor's* to the top right, then click on *General Vacancy & Credit Loss* to top left, then click on *Rate of Return After Tax (IRR)* to bottom left. Type in the specifications below, and press the *Run* button.

Starting at "0"
Stopping at "5"
In Steps of "1"

On top of the vacancy scheduled in the *Market Profiles*, the *General Vacancy & Credit Loss* will subtract from all the *Effective Income*.



Risk Analysis is another “what-if” analysis function that allows you to vary many assumptions at the same time. While it does not give the same precision as *Sensitivity Analysis*, it does show you the overall risk based on many factors. Of course, all related assumptions are being varied at the same time. Your planEASE User Manual contains an extensive section on the *Risk Analysis* methodology (known as “Monte Carlo Simulation”).

- By choosing “5” in the Likely column the distribution will be a normal distribution.

- By choosing “20” in the Likely column the distribution will be skewed slightly towards higher *TI*'s.

- By choosing “40” in the Likely column the distribution will be skewed slightly towards a lower *Renewal Probability*.

- As long as our assumptions stay within the range we set, and all the other factors remain constant, this property should return somewhere between 18.3% and 23.8%. Since *Risk Analysis* uses a random number generator to select the values for the assumptions we chose to vary, your results might be slightly different. You can increase the reliability of the results by increasing the *Number of Trials*.

